

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2969 – SB 2929

March 20, 2012

SUMMARY OF AMENDMENT (014698): Deletes all language after the enacting clause. Requires separate amounts be appropriated each year for nursing facility services and home-and-community-based services. Requires the level of care criteria and the state's medical eligibility criteria for all long-term services, including nursing facility services and home-and-community-based services, to be adopted in a rulemaking hearing pursuant to the Uniform Administrative Procedures Act. Requires all managed care organizations (MCOs) to contract with any current licensed nursing facility that provides Medicaid services and is willing to contract with the MCO under the same terms and conditions offered to any other nursing facility contracted with the MCO under any policy, contract, or plan that is part of the TennCare long-term care service delivery system. Requires the Comptroller of the Treasury to set the Medicaid rates for nursing facility services under the cost-based nursing facility reimbursement system and any acuity-based reimbursement system adopted in a rulemaking hearing. Requires Medicare covered nursing facility services under any TennCare dual-eligible demonstration project to be reimbursed at the prevailing Medicare rate. Requires MCOs to comply with the provisions of Tenn. Code Ann. § 56-32-126 and any prompt pay provisions within the contractor risk agreements with TennCare. MCOs must ensure 90 percent of clean claims for nursing facility services shall be processed and paid within 14 calendar days and 99.5 percent paid within 21 days.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Expenditures - \$22,039,100/FY12-13
\$14,072,300/FY13-14 and Subsequent Years**

**Increase Federal Expenditures - \$43,142,200/FY12-13
\$27,547,000/FY13-14 and Subsequent Years**

Assumptions applied to amendment:

- According to the Bureau of TennCare, the requirement for a rulemaking hearing regarding the level of care and eligibility criteria for nursing facility services will delay the implementation of proposed changes to these criteria.

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- The proposed FY12-13 TennCare budget includes \$47,124,000 decreased expenditures for changes to the methodology used for nursing home placement. It is estimated that the rulemaking process will delay the implementation by six months which will reduce the amount of decreased expenditures by one-half, or to \$23,562,000 ($\$47,124,000 / 2$) in FY12-13.
- According to TennCare, the program is in the process of implementing a demonstration project to integrate the care of dual eligible (Medicaid and Medicare) enrollees within the managed care system. TennCare currently reimburses at 80 percent. Requiring TennCare to reimburse at 100 percent of Medicare rates will result in a recurring increase in expenditures of \$41,619,300 (\$225,511,500 Medicare allowed amount - \$182,339,900 Medicare paid amount - \$1,552,300 current TennCare payments).
- The total increase in expenditures for FY12-13 is \$65,181,300 (\$23,562,000 + \$41,619,300). Of the total increase, \$22,039,101 are state funds at a rate of 33.812 percent and \$43,142,199 are federal funds at a 66.188 percent match rate.
- The recurring increase in expenditures for FY13-14 and subsequent years will be \$41,619,300.
- The federal match rate changes each federal fiscal year based on the state's per capita income. It is assumed that the federal match rate in FY13-14 will be similar to the rate for FY12-13 resulting in \$14,072,318 in state funds at a rate of 33.812 percent and \$27,546,982 in federal funds at a 66.188 percent match rate.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/kml